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Influences on the behaviour of black and minority ethnic (BME) communities towards debt and bankruptcy

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Abstract

This article sets out to examine the attitudes towards debt, bankruptcy and the bankruptcy process of Black and Minority Ethnic (BME) entrepreneurs and individuals who are experiencing bankruptcy; and to assess the extent to which their attitudes towards debt and bankruptcy have been influenced by various external factors, including their cultural and religious practices.

The paper uses a qualitative methodology which involves in-depth, semi-structured interviews and direct observation, where possible. The findings suggest that in many ethnic minority communities there are strong cultural and religious imperatives to settle debts and this can lead to a strong desire to resist at all costs the bankruptcy process. The main finding of this study is that there is a high level of ignorance and a lack of understanding of the actions that can be taken when they find themselves in financial difficulties.

The main implication of this study is that education, which fosters financial literacy and pre-bankruptcy counselling can empower consumers and enhance responsible financial decision making. There is very little research work in this area and the paper is based on qualitative research which captures for the first time why the attitudes and behaviour of BME groups towards debt and bankruptcy differ from those of the white population.

Keywords: *Black and minority ethnic; bankruptcy; debt; financial literacy; attitudes and behaviour*

Introduction

Business and personal bankruptcy have soared in recent years. In the last three months of 2008, it went up by 12% in the UK as the credit crunch hit businesses and individuals. In the UK more than 17,000 people were being declared bankrupt in the third quarter of 2008 – around 175 people a day (Insolvency Service, 2008). The report released by the National Bankruptcy Research Centre also indicates that bankruptcy filings were up 34 per cent in January 2009 as compared to 2008 (NBKRC, 2009a). The rocketing figures show that more and more people are struggling with extreme debt problems as a result of the present economic situation. Bankruptcy is usually the last resort for people who cannot pay their debts and people declared bankrupt lose all their assets, including their homes, which must be sold to pay creditors. While they are discharged from bankruptcy after a year and can make a fresh start, they may not be able to borrow again easily for many years because they are considered a bigger risk.

Prior to the economic downturn in 2008, there was a debt culture in the UK characterised by excessive consumer spending which was encouraged by easy availability of (or unsolicited) credit. Just before the global economic turbulence, leading newspapers in the UK reported massive rises in personal debt levels of households, while the interest people were charged on their borrowings had risen by 6%. The amount people owed on personal loans jumped almost fourfold to £9.8 billion in 2008 compared with £2.6 billion in the previous year. Furthermore, technological improvements in payment networks prompted the widespread adoption of credit cards as a method of payment which has been illustrated to relate to increases in bankruptcy (Athreya, 2001; deMagalhaes and Stokes, 2005; Efrat, 2008). However, it must be pointed out that debt per se is not the problem as no economy can run without debts. The actual problem is over-indebtedness and irresponsible spending (Athreya, 2004; deMagalhaes and Stokes, 2005).

Although spending habits and behaviour have slightly changed since 2008, the impact of the credit crunch lingers on. For example, the Institute for Financial Literacy in the UK has recently released a report which reveals that more middle-class individuals than ever are filing for bankruptcy as a result of the recession (Robins, 2009; National Bankruptcy Research Centre, 2009a). The report also indicates that greater percentages of other demographic groups such as people with low education, females, unemployed and the black and minority ethnic (BME) groups are more vulnerable and more likely to experience bankruptcy due to a lack of financial literacy in an increasingly complex market economy (Lerman, 2006).

In the light of the present economic conditions, this paper presents findings of a study that was conducted of bankrupts from BME groups in England on behalf of the Insolvency Service. The aims of the study were to investigate the differences in experiences of BME (compared with white) groups to dealing with debt and bankruptcy and the reasons for these. Although the study was carried out in England between 2006 and 2007 before the economic downturn, the results are still relevant and important in the current economic climate in which many businesses and individuals (especially from the BME group) are experiencing financial crisis (Efrat, 2008). The results are of interest to BME communities all over the world.

Literature context

Although the great majority of the population in the UK has seen a significant increase in living standards compared with their counterparts 20 or 30 years ago, there is a small group of people who have not benefited from these changes. At best they have been left behind; at worst they have seen their situation worsen in a number of ways. This is referred to as financial exclusion (Kempson and Whyley, 1999). The types of people who are most likely to be financially excluded include lone parents, people without earnings including the unemployed and people in low-waged employment as well as disproportionate numbers of people from minority ethnic groups - in particular, African-Caribbean, Pakistani and Bangladeshi people (Kempson et al., 2000). In order to overcome financial exclusion, Kempson et al., (2000) have suggested increased financial literacy among the disadvantaged communities in the form of better information and a free, independent advice service.

Financial literacy refers to an individual's ability to make informed judgement and effective decisions about the use and management of their money (Worthington, 2006). Factors such as gender, ethnicity, occupation, income level, education and work place activities affect financial literacy (Al-Tamimi and Kalli, 2009). Financial literacy is found to be highest for persons aged between 50 and 60 years, professional, business owners, and university/college graduates, while it is lowest for unemployed, females and those from a BME background with a low level of education (Worthington, 2006; Lusardi, 2008; Al-Tamimi and Kalli, 2009).

Financial literacy is more important now than ever before because financial products have become more complex and consumers' inability to understand them has become increasingly apparent and the consequences of this inability more dire (Cude et al., 2006; Willis, 2009). Braunstein and Welch (2002) argue that interested groups, including policy makers are concerned that consumers lack a working knowledge of financial concepts and do not have tools they need to make decisions most advantageous to their economic well-being. Such financial literacy deficiencies can affect individuals' or families' day-to-day money management ability, which can result in behaviours that make consumers vulnerable to severe financial crises such as bankruptcy.

The effectiveness of learning about finances through formal, informal and experiential sources was evaluated by Perry and Ards (2002) in a US study of consumer financial knowledge and implications for social marketing. The findings suggest that formal training and childhood financial experiences are significant predictors of financial knowledge across the sample population as a whole, while informal, word-of-mouth sources have a significant additional impact among BME consumers. Also, economically disadvantaged and BME youth tend to display a lack of financial literacy. Johnson and Sherraden (2007) point out that in the US, economically disadvantaged youth, in particular, lack financial knowledge and access to mainstream financial institutions. They suggest that financial capability results when individuals develop financial knowledge and skills, but also gain access to financial policies, instruments and services.

In addition to ethnic or cultural differences, financial literacy is strongly related to socio-demographic characteristics and family financial sophistication (Lusardi et al., 2009). Specifically, Lusardi et al. (2009) demonstrate that a college-educated male whose parents had stocks and retirement savings is more likely to know about risk

diversification than a female with less than a high school education whose parents were not wealthy.

Failure to plan and poor borrowing behaviour can be linked to ignorance of basic financial concepts (Lusardi, 2008). Financial illiteracy is responsible for debt-fuelled lifestyles, from out of control personal and business spending habits to investments and property purchases that lose grasp of reality (Dayrit, 2010). Lusardi (2008) concludes that while financial education programmes can result in improved saving behaviour and financial decision-making, much can be done to improve these programmes' effectiveness.

In order to improve the programmes' effectiveness, it is necessary to know the root causes of debt and bankruptcy. The root causes of bankruptcy and the most serious problems for bankrupt entrepreneurs and individuals can be condensed into three categories: lack of knowledge, inaccessibility to debt, and economic climate (Van Auken, 2006). Stressing on the lack of knowledge as the root cause of bankruptcy, Boden and Nucci (2000) indicate that businesses where the owners had four or more years of college were less likely face bankruptcy.

On the other hand, business owners or individuals who are less informed about basic financial concepts are more likely to face bankruptcy. A review of financial literature and retirement preparedness revealed that many households are unfamiliar with even the most basic economic concepts needed to make saving and investment decisions (Emmons, 2005; Lusardi and Mitchell, 2007; Sahi, 2009). Such financial illiteracy, although widespread, is particularly acute among BME groups, who appear to be woefully under-informed about basic financial concepts, with serious implications for bankruptcy (Lusardi and Mitchell, 2007). The National Bankruptcy Research Centre (2009b) report has drawn attention to the results of a pre-filing bankruptcy counselling value study which suggested that consumers who have received pre-bankruptcy counselling exhibited significantly improved credit profiles in as little as two years in comparison to consumers who did not receive pre-bankruptcy counselling.

As financial literacy has been shown to correlate with good financial decisions, it has been argued that policy makers should do more to promote financial education selection programmes to improve business and individual's financial decisions (Meier and Sprenger, 2007). Therefore, policy makers have to embrace financial literacy education which will turn consumers into "responsible" and "empowered" market players, motivated and competent to make financial decisions that increase their own welfare (Willis, 2009).

Research methodology

To obtain the required depth of understanding of the extent to which financial literacy may affect the attitude and behaviour of BME towards debt and bankruptcy, two approaches were used.

Interviews with BME entrepreneurs/individuals

Firstly, entrepreneurs and individuals from BME groups in England who were currently engaged in bankruptcy proceedings were interviewed. This included those whose bankruptcy centred on consumer debt as well as those related to trading activities. Most

of the interviews were conducted over the telephone with a few interviews being conducted face-to-face where preferred. The interviews were in-depth and semi-structured. This approach enabled the researchers to speak directly to BME bankrupts about their understanding of the issues, their experiences, and how they explained the course of actions they had taken.

Interviews were conducted with 40 BME business owners/individuals and a control group of ten white business owners/individuals, all of whom were engaged in bankruptcy proceedings, drawn from the Insolvency Service's database, which listed the ethnicity of a total of 33,206 bankrupts. Table 1 provides information on the ethnic composition of the sample. In order to obtain 50 interviews it proved necessary to contact 120 people. However, 15% (n = 120) of these proved to be un-contactable, mainly due to repeated no replies or answer phones or numbers not being recognised or switched off. Of the 102 that were contacted, 49% (n = 102) agreed to an interview. This was a difficult topic to research because bankrupt entrepreneurs and individuals are often difficult to locate and once identified, the reason for bankruptcy could be hard to determine due to the sensitivity of the issue and reluctance to divulge information or discuss their experience of bankruptcy.

Table 1: Survey Response

	Asian	Black	Mixed	Other Ethnic	Chinese	White	N/A	Total n (%)
Un-contactable	3	4	2	1	-	3	5	18 (15%)
Didn't want to participate	13	9	3	5	1	5	16	52 (43%)
Interviewed	9	18	3	10	-	10	-	50 (42%)
Total	25	31	8	16	1	18	21	120

The sample consisted of 26% 'Blacks' and 21% 'Asians'. The Chinese accounted for less than 1 per cent of the sample, reflecting that there were only 14 Chinese bankrupts in England during the period covered by this research. A white control group (n = 18) was included. There were also 21 people whose ethnicity information was not available on Insolvency Service's database.

The majority of BME interviewees were traders at the time of bankruptcy petitioning. The activities of those who were trading included: translation and interpretation services, painting and decoration, fashion trading, book writing, solicitor, carpentry, courier service, sales of household goods, and a fast food restaurant. Many of the traders were self-employed. Table 2 provides information on the trading status of the interviewees in the sample.

Table 2: Trading status of interviewees

Trading Status	BMEs	White	Total
Trader	30	7	37
Non-trader	10	3	13

Total	40	10	50
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Interviews with key informants

Interviews were conducted with people who inter-face directly with BME bankrupts, including debt advice agencies, the Citizens Advice Bureaux, community and faith leaders and support providers (generalist and specialist). A total of 42 interviews were carried out, comprising 32 telephone interviews and ten face-to-face interviews, using semi-structured interviews based upon a topic guide in a questionnaire format. Topics included the profile, experiences and status of key informants, the bankruptcy process and accessing advice. The type of questions asked included which ethnic minority communities and religious faiths approached them for advice and support and what sort of help or advice they provided. Other questions included how the various communities viewed the issue of debt and bankruptcy and how their behaviour towards debt and bankruptcy was influenced by issues of culture, religion, family and friends.

Key informant interviews helped in checking and stabilising conflicting evidence and thus enhancing the reliability of the data (Ekanem, 2007). As they are in daily contact with people from different ethnic communities with financial problems, they were able to provide insights that helped to corroborate (or refute) the kind of personal information obtained from the bankrupts themselves.

Data analysis

The data analysis utilised a set of techniques such as content analysis, pattern matching, and explanation-building technique (Yin, 2003; Ekanem, 2007).

Content analysis involved listening to and transcribing tapes as well as reading transcripts to list the features associated with bankruptcy process such as attitudes towards debt and influences. Patten matching involved collating individual bankrupt's attitude and behaviour towards debts and bankruptcy in order to explore common features, variations and practices. In pattern-matching the researcher tried to identify any interesting patterns; whether there were any apparent inconsistencies or contradictions among the views of different groups or individuals. The aim was to compare and relate what happened in different ethnic groups in order to identify stable features.

Explanation-building technique allowed explanation to be built around actions and behaviour of bankrupts. It also allowed series of linkages to be constructed to link the concepts of debts and bankruptcy to their characteristic behaviour and to the implicit and explicit explanations supplied by each respondent (Yin, 2003). For example, it was possible to link how attitudes and behaviour were shaped by various influences and how their financial problems affected them and their relationships with other people.

From the combination of these analytic techniques it was possible to develop a profile of debt behaviour for each interviewee in order to produce compelling analytic conclusions which eliminated alternative interpretations.

The data analysis was inductive, utilising a data coding approach, which allowed for on-going modification and adjustment as analysis unfolded and which also allowed for content analysis to be conducted at different levels of aggregation (Fisher, 2004). The

coding was used to select quotations made by interviewees to illustrate or emphasise a particular issue within the study. This technique also enables the data to be organised and described so that it could be understood and to facilitate rich and insightful interpretations that recognised the subjective experiences of bankrupts.

Results and discussion

Knowledge of bankruptcy and the bankruptcy process

The interviewed bankrupts were asked about their knowledge of what bankruptcy involved at the time of getting into financial difficulty. Less than a quarter of the BME bankrupts interviewed claimed that they had some knowledge of bankruptcy (compared with nearly a half from the white control group) and those that did were mainly from the 'Black' group. The following is one of the typical responses from those who said they had no knowledge of what bankruptcy involved:

I knew nothing about the process. I don't remember being given any information. But I did bury my head in the sand a bit.

Similar results were obtained from asking the interviewed bankrupts about whether they were clear about the actions available to them when they got into financial difficulty. Again, less than a quarter of the BME groups were aware of what steps they could take compared to nearly a half from the white control group, i.e. a higher proportion of the 'Black' group than the other ethnic groups. A typical response of a bankrupt who was unaware highlighted the problem of understanding the technical language used in the process:

The forms are not self-explanatory; they use very technical language.

Another bankrupt from an African background commented:

People from Africa see things differently. If I was British I would have probably known where to go and how to deal with the situation. People with different language can see and understand the words but not necessarily understand the message.

The main factor identified by key informants as being responsible for the lack of awareness was the lack of financial skills on the part of the borrower. A lack of understanding about how debt works and by extension the consequences of defaulting was highlighted as a key factor by several key informants. Lacking clear understanding about budgeting and planning for fluctuations can lead people into debt (Lusardi, 2008). One key informant commented that there appears to be advice available after a 'debt has gone wrong' and that there should be advice available (in addition to that provided by the lender) when someone is considering taking out a loan as this would enable the borrower to consider more fully the implications of debt. This would help to overcome debt as a result of fecklessness: '*...they say I can have the money so I have it*'. This finding lends support to Perry and Ards (2002) who advocate early financial literacy if debt and other financial crisis must be overcome.

With respect to the various issues related to the awareness that BME groups have of the advice that is available, and the barriers they experience in accessing such advice, one interviewed advice agency manager indicated that many of their clients are seeking help in dealing with the consequences of being made bankrupt, rather than for help in dealing with the bankruptcy process.

Attitudes towards debt

The interviewed bankrupts were asked about their attitude towards the issue of debt. Overall, just over half of the BME bankrupts thought that debt is wrong, with half of them having a strong view about it, compared to an overwhelming majority of the white counterparts of whom the majority expressed a strong view about it. On the other hand, more than a third of the BME bankrupts seemed to be tolerant of debt, regarding it as something that happens given the plentiful availability of credit at the time of the study.

The following comments are examples of the responses of participants with respect to their attitudes towards debt. It seemed that in many instances their attitudes towards debt were influenced by the experience of bankruptcy itself.

Strongly opposed:

I had my head in the sand about debt. I didn't really understand the basics of finances. I used to think a good day was having my overdraft extended. Since becoming bankrupt I have a much simpler life. I live in a cash economy. Overdrafts are poisonous. I will never borrow again.

Opposed:

In life it is not 100% of the times that you can afford not to owe. I believe you should pay off what you owe. The important thing is to arrange payment with your creditors when you owe them.

Tolerant:

My attitude is that being bankrupt is not a big deal. If I'm made bankrupt after five years I can trade again. I can open another company after five years.

There was no clear indication of a difference between the BME groups with respect to their attitudes towards debt.

Influence of family and friends

Over a third of the BME bankrupts said that their attitudes and behaviour had been influenced by family and friends compared to just one bankrupt in the white control group. This influence was mainly negative as members of the family had contributed to their financial difficulties or relationships with members of the family had become

strained or broken down completely as a result. Bankrupts from the 'Asian' group were more likely to be influenced by family and friends than those from other ethnic groups.

Apart from the negative influence of immediate families, key informants identified that supporting the extended family carries great responsibilities and imposes financial burdens, which must be met. A variety of practices support this cultural norm. Monies may be sent overseas to support the extended family. Relatives and friends may be supported financially within the resident community. In some cultures polygamy is practiced and a husband would have a duty to support a number of wives and children. In itself the practice of polygamy could lead to debt with the financial burden of supporting a large and extended family and further make it difficult for a bankrupt to give full disclosure when the law proscribes such conduct. An advisor indicated that:

...there are some Muslims who believe that they can have three or four wives. Someone that finds themselves in that situation will find themselves under immense pressure to provide financial stability ...

Supporting the extended family who are unable to maintain themselves is particularly important when for example an elderly relative is brought to this country and who has no right to access benefits. Large telephone bills may also be incurred on a monthly basis maintaining contact with the extended family. In supporting the extended family, an individual may be sending remittances overseas to the home country. There may be generational differences in this behaviour, with first generation migrants more likely to be constrained by this practice than second generations. Sending money overseas may be a source of debt and the bankruptcy process will place those individuals in a position whereby it is harder to honour those commitments. This was a practice more prevalent among the 'Asian' group and the Muslims than the rest of the BME groups.

Influence of culture and religion

A quarter of the BME bankrupts and none in the white control group thought that their attitude and behaviour had been influenced in some way by cultural norms, with several saying that their cultural background had affected their perception of debt and approach to dealing with bankruptcy. Of these, the same proportions were from the 'Asian' and the 'Black' groups and a much smaller proportion was from the 'Other' ethnic group. Rather surprisingly, very few said that they had been influenced by their religious beliefs. This may be because in answering such a question people may not acknowledge the influence that cultural and religious beliefs have, even though the influence may be implicit or tacit in nature. However, the interviews with the various key informants suggest that various cultural factors are more important than is apparent from the survey of bankrupts themselves. The influence of cultural norms was captured in the following quotes by the bankrupts:

In my culture we have certain standards we must meet. When you attend [community] meetings and gatherings you don't want people to see poverty written all over you.

Debt is not acceptable in my culture. It shows that you are not in control of yourself and you have lost your balance.

Although very few bankrupts acknowledged the influence of cultural and religious practices, key informants intimated that in many ethnic minority communities there are strong cultural and religious imperatives to settle debts and this can lead to a strong desire to resist at all costs the bankruptcy process. This was found to be more likely among the 'Asian' ethnic group. Typically, such a debtor would seek to come to an agreement with creditors and negotiate reduced payments rather than petition for bankruptcy. This finding validates the results of a previous study in which ethnic minority entrepreneurs simply had less debt by choice due to culturally embedded aversions to undertaking debt (Efrat, 2008).

A key informant also identified that for Muslims there is a belief that all debts must be settled in the present life otherwise it has an impact on the afterlife. Furthermore, only the creditor can agree to waive part or all of a debt. The bankruptcy process legally waives the bankrupt's debts but since it is not the creditor who does this, the debt cannot be morally settled. A specialist money advisor suggested using the precept that: '...a Muslim must comply with the laws of the country they live in...' as a possible way to manage the dilemma that a Muslim who is being petitioned by a creditor may experience.

Similarly, another key informant identified that for 'committed' Christians there is a belief that debts must be repaid and therefore bankruptcy is not an acceptable option. A specialist money advisor suggested that adopting the concept of forgiveness and the notion of a fresh start (Ekanem and Wyer, 2007) is a way to overcome these difficulties and encourage a debtor to use the bankruptcy process. She emphasised: '*...Christianity is about a clean slate and having a fresh start...*'

The transparency and openness of the bankruptcy process stands in stark contrast to the guardedness, which typifies cultural norms of some communities. The need to maintain privacy means that in many BME communities personal financial affairs are shrouded in a veil of secrecy protected from the outside world perhaps due to financial exclusion and low levels of engagement with financial services (Kempson et al., 2000). Within the bankruptcy process the investigation into the bankrupt's personal financial matters is akin to lifting that veil which can in some cases be shameful and leads to a loss of respect.

Influence of shame and stigma

Another theme to emerge from the analysis of information obtained from the interview with key informants was the fear of shame and stigma associated with bankruptcy. Shame and stigma relate to all or most bankrupts in most culture and religion, but because people in the BME groups live in very close knit communities and have strong community ties, the issue of shame and stigma became more significant than their counterparts in the white control group. Across a range of community organisations and advice workers there were powerful indications of the strength of the community's influence and how it would impact on the behavioural choices of an individual. Fear of bringing shame on the community and how that conduct will be treated is a powerful motivator to avoid bankruptcy altogether. One of the bankrupts remarked,

...we are supposed to bring credit to our family, village, caste and religion...we are not supposed to bring shame and bankruptcy is shameful...

An individual who does not settle debts brings shame and dishonour to the community and this will result in a loss of trust and standing, which also results in being sanctioned and stigmatised by the community. This was clearly the concern of one of the bankrupts who commented: '*...there is a lot of stigma attached to bankruptcy...*'

This finding is consistent with the notion that consumer debtors are steered away from pursuing bankruptcy relief because of the entrenched stigma associated with the process (Efrat, 2006b). Although other communities have re-iterated the view that bankruptcy is shameful, for a range of Chinese, Sikh and Hindu communities the concept of bankruptcy is also shameful. The consequence of bringing shame to the community results in a loss of respect (Athreya, 2004). The impact of this is far reaching since (as participants indicated): '*...it means that your word cannot be relied upon.*'

Bankrupts from the 'Asian' group commented more on the fear of shame and stigma than other BME groups. A particular aspect of the bankruptcy process which acts as a barrier to a debtor petitioning for their own bankruptcy is the procedure whereby a notice is placed in the local paper and The Gazette. This has been referred to as 'naming and shaming.' These publicly humiliating rules and practices serve to reinforce the already embedded stigma associated with bankruptcy (Efrat, 2006a).

Influence of language

As expected, language difficulties were mentioned more among the 'Asian' group than the other BME groups. They cited language problem as an issue in understanding the bankruptcy process as well as accessing advice from relevant organisations. A bankrupt in the 'Asian' group emphasised,

They should employ people who understand my language to give legal advice about bankruptcy...

Surprisingly, nearly a quarter of bankrupts from the 'Black' group also mentioned language difficulties as an issue in understanding the bankruptcy process and in accessing advice. Community organisations that offer support and advice may be the first formal contact outside the family for a person experiencing debt repayment difficulties. The advantage for the individual in contacting a community organisation is that cultural nuances will be understood and ethnic languages spoken (Adler, 1991). However, this also increases the likelihood of a debtor meeting someone from their own community and this may act as a disincentive. The problem of language has been highlighted in many ethnic minority studies such as Ram and Smallbone (2001), CEEDR (2006) and Lyon et al. (2007).

Conclusions

One of the main conclusions of this study of bankrupts in England is that there seemed to be a higher level of ignorance of the bankruptcy process among BME groups than amongst their white counterparts and a lack of understanding of the actions that can be taken when they find themselves in financial difficulties. This may be due to financial illiteracy which invariably leads to debt and different attitudes to debt (Braunstein and Welch, 2002).

The evidence of financial illiteracy among BMEs manifested itself in the lack of financial skills. Financial literacy impacts on financial planning and financial decision-making. Failure to plan and poor borrowing behaviour are linked to ignorance of basic financial concepts which results in debt (Lusardi, 2008).

Although the majority of the interviewed BME bankrupts thought that debt was wrong, the study revealed a general lack of understanding of debt, how to manage it and the consequences of defaulting. The inability to manage debt burdens is a contributory factor in a debtor deciding to petition for bankruptcy. However, when bankruptcy is an appropriate option and a debtor chooses not to petition for bankruptcy he/she is compelled to manage a chronic debt burden.

An individual or business consumer can be empowered to manage debt burden adequately by the availability of advice before taking out a loan or through pre-bankruptcy counselling. In this study however, advice appeared to be available only after the consumer has been made bankrupt. In other words, they were seeking help in dealing with the consequences of being made bankrupt, rather than seeking help to be able to manage debt. Advice should be made available to consumers when considering taking out a loan in order that they would be able to consider the full implications of debt including the consequences of defaulting. Therefore, it is suggested in this study that early financial literacy must be embarked upon in order to overcome the problem of debt and bankruptcy.

The evidence presented in the study has implications for policy making - specifically is that education, which fosters financial literacy and pre-bankruptcy counselling can enhance proper financial decision making. It can help to bring about a change in attitudes and behaviour of these groups of people in the community which could, in the medium term, change the impact that fear of shame and stigma has on the behaviour of a bankrupt. It also can lead to a change in social norms by shifting blame away from the financially troubled individual and developing a more positive perception towards the individual, manifested by less anger and more sympathy with their plight (Efrat, 2006b).

In the light of the findings from both the bankrupt and key informant interviews, there is need for improvement in financial literacy and in support provision for BME groups seeking debt and bankruptcy advice (deMagalhaes and Stokes, 2005). Such improvements may include more information and explanation about bankruptcy and its implications, possible use of community organisation in supporting transition to specialist money advice workers, bankruptcy forms available in community languages with specimen examples and increased cultural competence of money advice workers to avoid client/advisor mismatch.

The limitations of the study provide opportunity for future research. The sample was relatively small and only covered entrepreneurs and individuals who were contactable and willing to participate in the study. It was not large enough to ascertain statistically significant differences regarding particular sub-groups within the BME population. Future research could be widened and comparative results from each region of the country provided which would allow researchers to ascertain differences and communalities in the bankruptcy population among these various minority groups. Although the study was conducted between 2006 and 2007, the data were collected at a single point in time. A longitudinal study could provide evidence in the changing patterns and variables

impacting bankruptcy over time. A longitudinal study by regions could be used to develop an understanding of the relationship between economic conditions, economic development and bankruptcy.

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